

WILLIAM M. GAUSMAN

1 **DELMARVA POWER & LIGHT COMPANY**
2 **REBUTTAL TESTIMONY OF WILLIAM M. GAUSMAN**
3 **BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION**
4 **CONCERNING AN INCREASE IN ELECTRIC BASE RATES**
5 **DOCKET NOS. 09-414/09-276T**
6

7 1. Q: Please state your name and position, and business address.

8 A: My name is William M. Gausman. I am Senior Vice President Asset
9 Management and Planning for PHI Service Company, located at 701 Ninth Street
10 NW, Washington DC, 20068. I am testifying on behalf of Delmarva Power &
11 Light Company (Delmarva or the Company). I submitted Direct Testimony in
12 this docket.

13 2. Q: What is the purpose of your testimony?

14 A: The purpose of my testimony is to rebut the assertions of The Division of
15 Public Advocate (DPA) Witness James D. Cotton and Staff of the Delaware
16 Public Service Commission Witness Donna H. Mullinax on the topic of
17 Delmarva's capital investment. In particular I will address their testimony
18 concerning the Reliability Plant Closings as identified in Adjustments 18 and 19
19 as presented in both my direct testimony and the direct testimony of Company
20 Witness Michael VonSteuben.

21 3. Q: Do you agree with DPA Witness Cotton's elimination of the Company's
22 request for or cost recovery of reliability Plant Closings?

23 A: No, I do not.

24 4. Q: What basis does DPA Witness Cotton use to exclude the Company's request
25 for rate base treatment for the reliability plant closings?

1 A: At page 20, lines 1 through 6 of Mr. Cotton's testimony, he claims that I
2 have not provided an explanation of the Reliability projects. At page 3, lines 5
3 through 9 of my Direct Testimony, where I present the purpose of my testimony, I
4 introduced the Reliability projects. At page 6, line 8 through page 15, line 2 of
5 my Direct Testimony, I provide a complete description of the Reliability projects.
6 I specifically identify the four categories of reliability investment that are
7 included in Delmarva's request:

- 8 • System Load Relief
- 9 • Improvements to Customer Reliability
- 10 • Emergency Replacements and Repairs
- 11 • Planned Infrastructure Replacements

12 My Direct Testimony describes the nature of this work, provides specific
13 examples of where this work has been installed, and within Schedule WMG-1, I
14 present the specific 57 Reliability projects by project number, project location,
15 work description and construction budget. My Direct Testimony provides a full
16 description of the Reliability projects.

17 Additionally, my Direct Testimony establishes that no new customer
18 revenue is produced by these projects. This work serves only the existing
19 Delaware load.

20 5. Q: Do you have additional objections to Witness Cotton's exclusions of
21 the Reliability projects?

22 A: Yes. The Reliability Projects that I present are both known and measurable
23 because they have been completed, they are on the books of the Company, and

1 they are in service for customers. Mr. Cotton claims that the Reliability projects
2 adjustments are not known and measurable because they do not pass a test he
3 refers to, at page 6, lines 6 through 13, as a "rate change." According to Mr.
4 Cotton's proposed test, costs can only be considered known and measurable for a
5 post test period adjustment if the "rate" of cost of a component associated with an
6 item occurring within the test year changes. If the amount or "volume" of a cost
7 element changes within a test year, the "volume" change which leads to a cost
8 increase can not be accepted as a known and measurable change for a post test
9 period adjustment.

10 The Reliability projects are known and measurable. We have completed the
11 work; the electric plant is in service to the customer and is both used and useful.
12 Mr. Cotton's notion of a "rate" vs. a "volumetric" change has no application to
13 the Reliability projects nor is it a standard that should be used in any evaluation.
14 There are only two questions that must be answered: "(1) has the electric plant
15 been placed in service and (2) is it used and useful." The answers to those
16 questions are both "yes" and, as such, the adjustment is appropriate and should be
17 approved.

18 This standard is the one used by the Commission. The Rebuttal Testimony
19 of Company Witness Kamerick will address the many difficulties posed by the
20 recurrent attempts of witnesses like Mr. Cotton to introduce new and inconsistent
21 rate treatment mechanisms, such as his proposed "rate" vs. a "volumetric" test. I
22 understand that Company Witness Kamerick will explain, among other things,

1 how Delmarva must rely upon consistency of rate-making treatment in our
2 planning for, and operation of, Delmarva Power.

3 6. **Q: Do you agree with Witness Mullinax's elimination of the Company's request**
4 **for cost recovery of Reliability plant closings identified in Company**
5 **Adjustment No. 19?**

6 A: No, I do not.

7 7. **Q: What basis does Staff Witness Mullinax use to exclude the Company's**
8 **request for rate base treatment for the Reliability plant closings in Company**
9 **adjustment 19?**

10 A: Staff Witness Mullinax rejects the Reliability project request in Company
11 Adjustment 19 based on the notion that certain of the projects were completed up
12 to four months outside the test year. Ms. Mullinax has excluded these projects
13 without considering the description of the projects, their necessity for providing
14 reliable service and the facts that no new electric revenue is created by these
15 projects and that their costs are known and measurable. As I explained earlier, the
16 test is whether the electric plant been placed in service and whether it is used and
17 useful.

18 8. **Q: Please summarize the reasons why the Company should receive the requested**
19 **rate making treatment for Reliability Assets.**

20 A. In my Direct Testimony, I provide the following facts that support the
21 Company's request for the annualized rate base treatment of the Reliability
22 projects:

23 1) The Reliability projects produce no new electric revenue.

1 2) The Reliability projects are in service to the customers, used and
2 useful

3 3) The costs of the Reliability projects are known and measurable, they
4 are complete and their costs are on the books of the Company.

5 Finally, I would note that the Maryland Public Service Commission, in Order No.
6 83085, dated December 30, 2009, in Case No. 9192, approved the same
7 ratemaking treatments requested for the same categories of Reliability assets as
8 requested in this proceeding by Delmarva for its Delaware service territory.

9 9. **Q: Does this conclude your testimony?**

10 A: Yes, it does.

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